

2011 Council Study Issue

FIN 11-02 Update Fiscal Sub-element Policy Related to Budget Stabilization Fund.

Lead Department Finance

History 1 year ago None 2 years ago None

1. What are the key elements of the issue? What precipitated it?

Current fiscal policy (7.1.E.1.4) calls for the General Fund's 20-Year Rap Reserve (now known as the Budget Stabilization Fund) to be balanced to zero in the twentieth year of the Long-Term Financial Plan. Over the past several years, the adopted General Fund Long-Term Financial Plan has not been in compliance with this policy. While the intent of the policy is to maximize City resources to provide services over the long-term, the logic of drawing the Budget Stabilization Fund down to zero in the final year of the Long-Term Financial Plan has been subject to significant discussion amongst staff. This has led to a broader discussion about what is the correct balance that should be maintained in the Budget Stabilization Fund, and should that amount vary based on which year it is in the Long-Term Financial Plan (i.e., should a minimum amount, if applicable, be different in year five than in year ten). The purpose of this study issue is to develop and recommend an updated policy related to the Budget Stabilization Fund that addresses the issue of what the appropriate balance is to maintain in that reserve.

2. How does this relate to the General Plan or existing City Policy?

General Plan - Fiscal Sub-element 7.1.E.1.4:

The Twenty-Year RAP Reserve should be balanced to zero in the twentieth year of the Long-Term Financial Plan. This means that the reserve increases during periods of economic growth and has planned draw-downs during low periods of the economic cycle.

3. Origin of issue

City Staff Gary Luebbers, City Manager

4. Staff effort required to conduct study Moderate**5. Multiple Year Project? No Planned Completion Year 2011****6. Expected participation involved in the study issue process?**

Does Council need to approve a work plan? No

Does this issue require review by a Board/Commission? No

If so, which?

Is a Council Study Session anticipated? Yes

7. Briefly explain cost of study, including consultant hours, impacted budget program,

required budget modifications, etc. and amounts if known.

This study will be conducted by staff in the Finance Department and will be reviewed by the City Manager prior to going to Council for action. This study will be conducted within the Finance Department's existing budget appropriation, and there are no additional costs anticipated.

8. Briefly explain potential fiscal impact of implementing study results (consider capital and operating costs, as well as potential revenue).

There could potentially be a significant fiscal impact of implementing study results. For example, if the study were to recommend and Council were to approve a policy that requires the Budget Stabilization Fund to have a minimum balance that is higher than what is currently in the Budget Stabilization Fund in a given year, there would need to be cuts made to bring the Fund's balance up to the minimum amount. Similarly, if the approved balance is lower than what is currently in the Fund for a given year, ongoing services and/or one-time expenditures could potentially be added back.

9. Staff Recommendation

Staff Recommendation For Study 

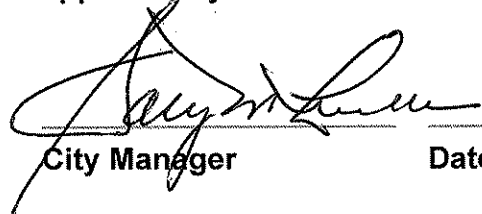
If 'For Study' or 'Against Study', explain

Current policy related to the Budget Stabilization Fund is outdated and incomplete. This is an important area to have a well-defined policy, and the staff time required to study and implement an updated policy is well worth the expected outcome.

Reviewed by

 **Department Director** 11/2/10 **Date**

Approved by

 **City Manager** 11-3 **Date**